



Shin-ichiro Ryoki, Chairman (left)
Akio Nomura, President (right)

We should like to begin this report by thanking our shareholders most sincerely for their continued support of our business activities.

Since its start of operations in 1905, Osaka Gas has fulfilled an important public mission as the company responsible for supplying gas to the Kansai region. Today, with the highest priority placed on superior services, we provide our 6.4 million customers with the safe and reliable distribution of natural gas, the most environment-friendly fossil fuel.

Our aim is to maximize our corporate value through a wide-ranging involvement at both the upstream and downstream levels of the energy sector. This involvement includes investment in natural gas production projects, ownership of an LNG carrier fleet, diversification into heat and power supply businesses, and gas equipment sales. We are also using our management resources to build business activities in a wide range of fields, including housing, information and engineering. For example, the cryogenic energy of LNG obtained in the process of regasification is used in frozen food manufacturing and the production of industrial gases through air separation. Through these activities the Osaka Gas Group is helping to build an enhanced living environment and prosperous regional communities. There are now over 100 group companies, and consolidated sales are in excess of ¥900 billion.

A major challenge for the energy sector today is the balancing of sustainable economic growth with environmental protection and energy security. We call this the "3E" challenge. The electric power and gas industries are also adapting to deregulation and regulatory

reforms, the aim of which is to improve efficiency by promoting competition and creating an open market environment with transparent information. These changes are starting to drive a variety of phenomena, including an influx of new companies into the energy sector, and the diversification of existing energy suppliers into other energy industries. Traditionally the energy sector was divided into separate industries, such as electric power, gas and heat. Today those industries are merging to form a single energy market.

Players in this new energy market can no longer limit themselves to the supply of one form of energy. Instead they need to offer efficient integrated energy systems based on optimized energy combinations, and to build integrated energy supply systems that contribute to environmental protection, the improvement of urban functions, and the creation of amenable living spaces.

Our aim is to enhance our management flexibility so that we can adapt to changes in our business environment. We are determined to build a business structure that will attract customers and give us a competitive advantage in terms of energy costs, efficiency and consideration for the environment.

We look forward to your continuing support.

A handwritten signature in black ink, reading "S. Ryoki".

Shin-ichiro Ryoki, Chairman

A handwritten signature in black ink, reading "A. Nomura".

Akio Nomura, President